



## Article Title

A Flow-Through Analysis of the US Lodging Industry During the Great Recession

## Citation

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## Abstract

The objective of this exploratory study is to investigate the "flow-through" or relationship between top-line measures of hotel operating performance (occupancy, average daily rate and revenue per available room) and bottom-line measures of profitability (gross operating profit and net operating income), before and during the recent great recession.

## Methods

This study uses data provided by PKF Hospitality Research for the period from 2007-2009. A total of 714 hotels were analyzed and various top-line and bottom-line profitability changes were computed using both absolute levels and percentages. Multiple regression analysis was used to examine the relationship between top and bottom line measures, and to derive flow-through ratios.

## Results/Conclusion

The results show that average daily rate (ADR) and occupancy are significantly and positively related to gross operating profit per available room (GOPPAR) and net operating income per available room (NOIPAR). The evidence indicates that ADR, rather than occupancy, appears to be the stronger predictor and better measure of RevPAR growth and bottom-line profitability. The correlations and explained variances are also higher than those

reported in prior research. Flow-through ratios range between 1.83 and 1.91 for NOIPAR, and between 1.55 and 1.65 for GOPPAR, across all chain-scales.